



**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

JUNE 30, 2019 AND 2018

FOOD FOR FREE COMMITTEE, INC.

REPORT ON AUDIT OF FINANCIAL STATEMENTS

FOR YEARS ENDED JUNE 30, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Food For Free Committee, Inc.

Report of the Financial Statements

We have audited the accompanying financial statements of Food For Free Committee, Inc. (a Massachusetts nonprofit organization), which comprise the statements of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Food For Free Committee, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Food For Free Committee, Inc.'s 2018 financial statements, and our report dated August 7, 2018, expressed an unqualified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BJHC PC

Topsfield, Massachusetts
August 20, 2019

FOOD FOR FREE COMMITTEE, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

ASSETS

| | <u>2019</u> | <u>2018</u> |
|---|-------------------|-------------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 525,025 | \$ 476,523 |
| Contributions and grants receivable, current | 127,212 | 89,490 |
| Prepaid expenses | 40,450 | 38,716 |
| | <u>692,687</u> | <u>604,729</u> |
| CASH AND CASH EQUIVALENTS, board-restricted as to use | <u>51,396</u> | <u>51,293</u> |
| LONG-TERM GRANTS RECEIVABLE, net of current portion | <u>-</u> | <u>15,000</u> |
| PROPERTY AND EQUIPMENT, net | <u>86,399</u> | <u>119,287</u> |
| DEPOSITS | <u>1,685</u> | <u>-</u> |
| | <u>\$ 832,167</u> | <u>\$ 790,309</u> |

LIABILITIES AND NET ASSETS

| | | |
|-----------------------------|-------------------|-------------------|
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 15,754 | \$ 8,365 |
| Deferred revenue | - | 2,083 |
| Accrued expenses | 48,474 | 43,777 |
| | <u>64,228</u> | <u>54,225</u> |
| NET ASSETS: | | |
| Without donor restrictions: | | |
| General operations | 565,543 | 491,791 |
| Board designated | 51,396 | 51,293 |
| With donor restrictions | 151,000 | 193,000 |
| | <u>767,939</u> | <u>736,084</u> |
| | <u>\$ 832,167</u> | <u>\$ 790,309</u> |

The accompanying notes are an integral part of these financial statements.

FOOD FOR FREE COMMITTEE, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
(with comparative totals for 2018)

| | Without Donor Restrictions | With Donor Restrictions | 2019 Total | 2018 Total |
|---|----------------------------------|-------------------------------|---------------|---------------|
| OPERATING REVENUE AND SUPPORT: | | | | |
| Contracts and grants | \$ - | \$ 441,325 | \$ 441,325 | \$ 349,600 |
| Individual and business contributions | 484,418 | - | 484,418 | 419,708 |
| Events and appeals | 301,024 | - | 301,024 | 321,929 |
| In-kind contributions | 3,534,276 | - | 3,534,276 | 3,889,658 |
| Earned income | 34,268 | - | 34,268 | 35,215 |
| Investment income and other | 2,685 | - | 2,685 | 942 |
| Net assets released from program restrictions | 491,825 | (491,825) | - | - |
| | <hr/> | | | |
| Total operating revenue and support | 4,848,496 | (50,500) | 4,797,996 | 5,017,052 |
| <hr/> | | | | |
| PROGRAM AND SUPPORT SERVICES: | | | | |
| Program services | 4,440,513 | - | 4,440,513 | 4,699,624 |
| Management and general | 138,982 | - | 138,982 | 102,782 |
| Fundraising | 199,295 | - | 199,295 | 159,983 |
| Direct costs of benefits to donors | 15,845 | - | 15,845 | 13,608 |
| | <hr/> | | | |
| Total program and support services | 4,794,635 | - | 4,794,635 | 4,975,997 |
| <hr/> | | | | |
| NON-OPERATING REVENUE: | | | | |
| Contribution of program net assets | 19,994 | - | 19,994 | - |
| Capital grants | - | 8,500 | 8,500 | 14,765 |
| | <hr/> | | | |
| Total non-operating revenue | 19,994 | 8,500 | 28,494 | 14,765 |
| | <hr/> | | | |
| Change in net assets | 73,855 | (42,000) | 31,855 | 55,820 |
| | <hr/> | | | |
| Net assets, beginning of year | 543,084 | 193,000 | 736,084 | 680,264 |
| | <hr/> | | | |
| Net assets, end of year | \$ 616,939 | \$ 151,000 | \$ 767,939 | \$ 736,084 |

The accompanying notes are an integral part of these financial statements.

FOOD FOR FREE COMMITTEE, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

| | 2019 | 2018 |
|---|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ 31,855 | \$ 55,820 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities - | | |
| Depreciation | 32,888 | 37,848 |
| Capital grants | (8,500) | (14,765) |
| Cash provided by (used in) changes in: | | |
| Contributions and grants receivable | (22,722) | 1,190 |
| Prepaid expenses | (1,734) | (2,159) |
| Accounts payable | 7,389 | (8,352) |
| Deferred revenue | (2,083) | 2,083 |
| Accrued expenses | 4,697 | 11,452 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>41,790</u> | <u>83,117</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | - | (49,860) |
| (Increase) decrease in deposits | (1,685) | 1,280 |
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | <u>(1,685)</u> | <u>(48,580)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES - | | |
| Capital grants | 8,500 | 14,765 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH | 48,605 | 49,302 |
| CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR | <u>527,816</u> | <u>478,514</u> |
| CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR | <u>\$ 576,421</u> | <u>\$ 527,816</u> |
| Reconciliation to cash and cash equivalents and restricted cash on the Statement of Financial Position: | | |
| Cash and cash equivalents | \$ 525,025 | \$ 476,523 |
| Cash and cash equivalents, board-restricted as to use | 51,396 | 51,293 |
| | <u>\$ 576,421</u> | <u>\$ 527,816</u> |

The accompanying notes are an integral part of these financial statements.

FOOD FOR FREE COMMITTEE, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(with comparative totals for 2018)

| | Program Services | Management and General | Fundraising | Direct Cost of Benefits to Donors | Total 2019 | Total 2018 |
|------------------------------------|---------------------|------------------------------|-------------------|---|---------------------|---------------------|
| Salaries | \$ 464,211 | \$ 69,093 | \$ 139,465 | \$ - | \$ 672,769 | 576,843 |
| Payroll taxes | 43,855 | 6,527 | 13,176 | - | 63,558 | 51,763 |
| Fringe benefits | 25,003 | 3,721 | 7,512 | - | 36,236 | 30,638 |
| Total compensation and benefits | <u>533,069</u> | <u>79,341</u> | <u>160,153</u> | <u>-</u> | <u>772,563</u> | <u>659,244</u> |
| Rent | 16,645 | 1,494 | 3,201 | - | 21,340 | 21,200 |
| Depreciation | 32,888 | - | - | - | 32,888 | 37,848 |
| Total occupancy costs | <u>49,533</u> | <u>1,494</u> | <u>3,201</u> | <u>-</u> | <u>54,228</u> | <u>59,048</u> |
| Transportation | 79,397 | - | - | - | 79,397 | 71,831 |
| In-kind food rescue | 3,517,098 | - | - | - | 3,517,098 | 3,867,936 |
| Food purchases | 179,552 | - | - | - | 179,552 | 131,409 |
| Insurance | 34,457 | 3,237 | 3,090 | - | 40,784 | 50,328 |
| Other program expenses | 30,747 | 369 | - | - | 31,116 | 24,248 |
| Total program expenses | <u>3,841,251</u> | <u>3,606</u> | <u>3,090</u> | <u>-</u> | <u>3,847,947</u> | <u>4,145,752</u> |
| Administrative and office | 3,387 | 21,334 | 908 | - | 25,629 | 37,326 |
| Consulting fees | 8,880 | 12,975 | 18,175 | - | 40,030 | 13,023 |
| Cost of direct benefits to donors | - | - | - | 15,845 | 15,845 | 13,608 |
| Bank and credit card fees | - | 12 | 3,049 | - | 3,061 | 2,721 |
| Printing, postage and publications | 123 | 6,179 | 9,436 | - | 15,738 | 5,692 |
| Accounting and bookkeeping | 4,270 | 11,135 | 1,283 | - | 16,688 | 21,241 |
| Miscellaneous | - | 2,906 | - | - | 2,906 | 3,956 |
| Total other expenses | <u>16,660</u> | <u>54,541</u> | <u>32,851</u> | <u>15,845</u> | <u>119,897</u> | <u>97,567</u> |
| Total expenses by function | <u>\$ 4,440,513</u> | <u>\$ 138,982</u> | <u>\$ 199,295</u> | <u>\$ 15,845</u> | <u>\$ 4,794,635</u> | <u>\$ 4,961,611</u> |

The accompanying notes are an integral part of these financial statements.

FOOD FOR FREE COMMITTEE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Food For Free Committee, Inc., (“Food For Free”), was organized in 1981 in Cambridge, Massachusetts. Food For Free improves community-wide access to healthy foods through several tactics including food rescue, repackaging of rescued food, distribution of food to community food programs, transportation services for community food programs, farming, and distribution of food directly to children, seniors, and people with disabilities.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Food for Free classifies net assets, revenues, gains and losses based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net assets without donor restrictions represent the portion of net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, \$51,396 for future capital replacement costs.
- Net assets with donor restrictions represent the portion of net assets subject to donor- (or certain grantor-) imposed restrictions. Certain donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates resources to be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Management’s Review

In preparing the financial statements, management evaluated events and transactions for potential recognition or disclosure through August 20, 2019, the date the financial statements were available to be issued.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(Continued)

FOOD FOR FREE COMMITTEE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents and Concentration of Risk

Food For Free defines cash equivalents as short-term highly liquid investments with original maturities of three months or less.

Food For Free maintains some of its cash in bank deposit accounts, which at times may exceed federally insured limits; however, these deposits continue to be covered by The Massachusetts Depositors Insurance Fund. Food For Free has not experienced any losses in such accounts, and management believes that it is not exposed to any significant credit risk on cash or cash equivalents. Amounts exceeding federally insured limits were \$261,429 and \$212,929 at June 30, 2019 and 2018, respectively.

Contributions and Grants Receivable

Food For Free reports unconditional promises to give as contributions. If outstanding contributions and grants are expected to be collected in less than one year, they are recorded at the estimated amount to be ultimately realized. If outstanding contributions and grants are to be paid to the organization over a period of years, they are recorded at the present value of their estimated cash flows using the prime rate as of the fiscal year-end in the year of donation. Contributions and grants due in excess of one year are reflected net of an allowance for uncollectible amounts based on management's judgment, past payment experience, and other relevant factors. Management considers all receivables at June 30, 2019 to be fully collectible. Accordingly, no allowance for doubtful accounts has been recorded.

Property and Equipment

Property and equipment are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. Purchases of property and equipment in excess of \$2,000 are capitalized. Expenditures for major renewals and improvements are capitalized, while expenditures for maintenance and repairs are expensed as incurred. Depreciation of transportation vehicles, equipment and leasehold improvements is provided on a straight-line basis over the following estimated useful lives:

| <u>Classification</u> | <u>Estimated Useful Life</u> |
|-------------------------|----------------------------------|
| Transportation vehicles | 5 |
| Equipment | 5 |
| Leasehold improvements | 40 |

Impairment of Long-Lived Assets

In accordance with accounting principles generally accepted in the United States of America, Food For Free has given consideration to the impairment of their long-lived assets in its presentation of these financial statements. At June 30, 2019, Food For Free has not recognized any reduction in the carrying value of its property.

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FOOD FOR FREE COMMITTEE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Food For Free records revenue from grants and contributions as unrestricted revenue and unrestricted net assets when the grant or contribution is received or an unconditional promise to give is made unless specifically restricted by the donor. Deferred revenue is comprised of revenue unearned in the current period.

Donated Goods and Services

Food For Free reports the fair value of gifts of donated food and grocery products over which it has control (i.e. variance power) as unrestricted public support and, shortly thereafter, as expense when distributed to local emergency food programs and individuals participating in the food rescue program. During the years ended June 30, 2019 and 2018, Food For Free distributed approximately 2.1 and 2.2 million pounds, respectively, of donated product. The approximate average wholesale value of one pound of donated product at the national level, which was determined to be \$1.68 and \$1.73, respectively, during 2019 and 2018, was based upon a study performed by Feeding America. The dollar value of these pounds distributed is \$3,517,098 and \$3,867,936 for the years ended June 30, 2019 and 2018, respectively, and is included within in-kind food delivery in the accompanying financial statements.

Food For Free receives in-kind contributions of investment securities throughout the year. Contributed securities are valued at fair market value on the date of receipt. The fair market value of donated securities was \$10,146 and \$15,614 for the years ended June 30, 2019 and 2018, respectively.

Beginning in September, 2017, Food For Free receives an in-kind contribution of the license to use a new, refrigerated vehicle from the City of Cambridge, Massachusetts to carry out the City's delivery of frozen meals and support the operations of the City of Cambridge Senior Center Food pantry program. The fair market annual lease value of the vehicle was \$7,032 and \$5,567 year ended June 30, 2019 and for the period September, 2017 through June 30, 2018, respectively.

In addition, a number of individuals and organizations have made in-kind donations or volunteered their services to Food For Free. For those services that do not require special expertise, the estimated value of such donated services has not been recorded in the financial statements.

Income Taxes and Uncertainty of Income Taxes

Food For Free is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable Massachusetts state law.

Food For Free may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for June 30, 2019.

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FOOD FOR FREE COMMITTEE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes and Uncertainty of Income Taxes (continued)

Food For Free files its Form 990 in the U.S. federal jurisdiction and the office of the Massachusetts' Attorney General. These filings are subject to examination generally for 3 years after they were filed. Information returns filed for the fiscal years 2018, 2017 and 2016 remain subject to examination by the Internal Revenue Service and the state of Massachusetts.

Advertising

Food For Free expenses advertising costs as incurred.

Functional Expense Allocation

The cost of providing the various programs and supporting services is summarized on a functional basis in the Statement of Activities and in detail in the Statement of Functional Expenses. Certain costs are allocated among the programs and supporting services benefited.

2. PROPERTY AND EQUIPMENT

At June 30, 2019 and 2018, property and equipment consists of the following:

| | 2019 | 2018 |
|-------------------------------|------------------|-------------------|
| Transportation vehicles | \$ 196,535 | \$ 196,535 |
| Equipment | 109,651 | 109,651 |
| Leasehold improvements | 31,810 | 31,810 |
| | <u>337,996</u> | <u>337,996</u> |
| Less accumulated depreciation | (251,597) | (218,709) |
| Net property and equipment | <u>\$ 86,399</u> | <u>\$ 119,287</u> |

Depreciation expense was \$32,888 and \$37,848 for the years ended June 30, 2019 and 2018.

3. LINE OF CREDIT

Food For Free has available, a secured \$20,000 line of credit with a bank. The credit line bears interest at the bank's prime rate plus 2.5%. The credit line is secured by all business assets and outstanding balances are due monthly or immediately upon demand. There were no borrowings in 2019 or 2018.

4. COMPENSATED ABSENCES

Employees are entitled to paid vacation, sick and personal days off depending on job classification, length of service and other factors. Unused vacation time can generally be carried over and used within the first three months of the following year. Food For Free had \$3,243 and no accrued compensated absences at June 30, 2019 and 2018, respectively.

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FOOD FOR FREE COMMITTEE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

5. NET ASSETS

Board Designated Net Assets Without Donor Restrictions

The Board of Directors has designated net assets for the following purposes as of June 30, 2019 and 2018:

| | 2019 | 2018 |
|---------------------------|-----------|-----------|
| Capital replacement costs | \$ 51,396 | \$ 51,293 |

Net Assets with Donor Restrictions

Donor restrictions on net assets consist of the following at June 30, 2019 and 2018:

| | 2019 | 2018 |
|-----------------------------|------------|------------|
| Programs | \$ 142,500 | \$ 128,000 |
| Capital purchases | 8,500 | - |
| Time-restricted grants | - | 65,000 |
| Total restricted net assets | \$ 151,000 | \$ 193,000 |

6. RENT

Food For Free occupies space owned by Cambridge Economic Opportunity Committee located in Cambridge, MA under the terms of a lease through December 31, 2019. Monthly rent expense was \$1,515 through December 31, 2018 and \$2,083 from January 1, 2019 through June 30, 2019 and Food For Free is responsible for utilities, maintenance and insurance.

In addition, commencing February 1, 2017, Food For Free leased office space at a monthly rent of \$640 through March 31, 2018. Food For Free was responsible for its ratable portion of utilities.

Rent expense for the years ended June 30, 2019 and 2018 was \$21,340 and \$21,200, respectively.

7. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the Statement of Financial Position date, comprise the following:

| | |
|---------------------------------------|-------------------|
| Cash and cash equivalents | \$ 525,025 |
| Contributions and grants receivable | 127,212 |
| Cash and cash equivalents, restricted | 51,396 |
| | <u>\$ 703,633</u> |

8. RELATED PARTIES

Certain members of Food For Free's Board of Directors hold positions with a community savings bank with whom Food For Free banks. One individual is a senior officer and another is a corporator and director.